Strategic planning in higher education

A guide for heads of institutions, senior managers and members of governing bodies

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Contents

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To	Heads of HEFCE-funded higher education institutions Heads of universities in Northern Ireland
Of interest to those responsible for	Strategic planning; Finance; Estates
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Summary

1. This guide reviews good practice in strategic planning in higher education (HE). It originated in a consultation exercise which we held in 1998 to review our approach to strategic planning. Many of the institutions consulted said they would welcome some guidance on good practice.

2. The guidance has been developed with the help of a steering group drawn from higher education, and draws on the experience of 13 case study universities and colleges. It is not intended to be prescriptive: each university and college needs to decide how, and how far to make use of this guidance.

3. We aim to provide examples of good practice, and identify common principles. We hope thereby to help heads of institutions and senior managers to plan more effectively and so stand a better chance of achieving their institutions' strategic goals. Appendix E summarises the role of governing bodies in strategic planning.

4. The guidance sets out a conventional planning process, because it is the most widely employed approach to planning in the sector. But the diversity of the sector means that there is no 'right' way, and there are many variations on how strategy is devised and delivered. The guidance deals with planning processes at the corporate level rather than the departmental level, although it does discuss the relationship between the two.

Overview and key messages

5. The guidance discusses the key phases of the strategic planning cycle – planning, documentation, and implementation and monitoring. It gives examples of good practice from the sector, and includes a series of questions to help senior managers analyse their current approach and identify where improvements could be made.

6. The four key messages can be summarised as follows.

HE managers recognise that planning is an essential tool

7. In virtually all universities and colleges, strategic planning is seen as an essential tool for effective institutional management. Unless time is invested to analyse the institution and its environment, and to consider its medium – and long-term direction and goals, it is unlikely that action will be focused or goals achieved. Effective planning helps higher education institutions (HEIs) to identify what makes them distinctive and what they have in common with other HEIs, and therefore it helps to maintain their individuality.

HE managers recognise that planning needs to be systematic and embedded

8. Strategic planning in HEIs is a cyclical process with several related stages. Unless it is undertaken in a methodical and systematic way it will be of only limited benefit. In particular, unless there is communication and consultation throughout the planning cycle, particularly with staff, there will be little sense of ownership and little motivation to work towards achieving the institution's strategic objectives.

HE managers recognise that planning must lead to action

9. The plan should set out how the institution intends to operate in order to achieve its strategic goals and the intermediate practical steps for their attainment. There needs to be a commitment to ensure that the plan is not just another document, but a basis for collectively agreed and carefully prioritised action.

HE managers and governors recognise the need for regular and challenging monitoring of implementation

10. Monitoring the implementation of the plan is an essential part of the planning process, and needs to be more than routine re-endorsement. The process also needs to allow for regular review and updating to ensure that the plan remains relevant.

Strategic planning – introduction and overview

Introduction

11. The importance of good strategic planning is recognised throughout higher education. All universities and colleges understand the need to clearly identify their mission and objectives, their priorities and targets for improvement, and the action to be taken to achieve them. Good progress has been made over a long period to improve the rigour of strategic planning.

12. But the challenges and opportunities facing higher education are growing every year. There is a constant need to secure greater value from available resources. Also the decisions and choices which institutions have to make become ever more complex as the requirements of students, staff, employers and society change. All of this places a premium on good strategic planning: the quality of planning must itself improve year by year.

13. Differences in approach and procedures are healthy and welcome in the diverse HE sector. There is no single right way to undertake strategic planning: what matters is what works for the institution, taking account of its culture, needs and organisation. But we believe that there is value in reviewing from time to time current approaches to planning across the HE sector, in order to identify the principles that are being applied and then to disseminate those which appear to be effective.

14. In 1998 we undertook a consultation exercise to review our approach to strategic planning in higher education. The results were reported in our circular letter 3/99 to institutions. One message from the consultation was that many institutions would welcome guidance on good practice in strategic planning: of those who commented, 84 per cent said they would like it. This report has been prepared in response.

15. At the same time, we recognise the ambivalence of many universities and colleges towards such good practice guidance. In some cases, this is because their practices and procedures are already well developed and effective, and they question what value they will gain from generic good practice reports. There is also an underlying concern that such guidance may be, or may be used in a way which becomes, prescriptive, seeking to impose a single model which may be inconsistent with what works in practice for individual institutions.

16. We take those concerns seriously. We recognise that good planning cannot be imposed externally. It will happen only if individual institutions want to do it. And it will keep developing and improving only through the innovations and commitment of individual institutions, each seeking to identify its own route to success. So in this guidance we are not seeking to prescribe a single approved model. Instead, we have tried to illustrate the range of good practice and identify the principles applied, with a view to providing a useful overview for those who want it.

17. We have involved universities and colleges at every stage in the project. We hope that most, if not all, institutions will find something to reflect on in the guidance. But we have not sent the guidance to all institutions automatically. Instead we will make it available and let institutions decide for themselves how, and how far, they will make use of it.

Development of the guide

18. Preparation of this guidance was overseen by a steering group of representatives from the HE sector; the members are listed at Appendix A. We have drawn on the following information: visits to 13 HEIs, listed at Appendix B; our general knowledge of the sector's planning processes; and a selection of the literature which provides the academic background to strategic management and which has evidently influenced the development of practices in HEIs[1].

Use and content of the guide

19. The guidance is primarily designed for heads of institutions and their senior management teams. Appendix E outlines the role of governing bodies in the process. We hope that senior management teams will wish to:

- review the guidance collectively
- draw the guidance to the attention of governors, particularly Appendix E
- use the questions in Appendix D to review their current approach
- report the results of that review to the governing body.

Terminology

20. Most terms used in the guidance are self-explanatory. Where there may be ambiguity we have defined our meaning in the glossary in Appendix C.

Overview of the strategic planning cycle

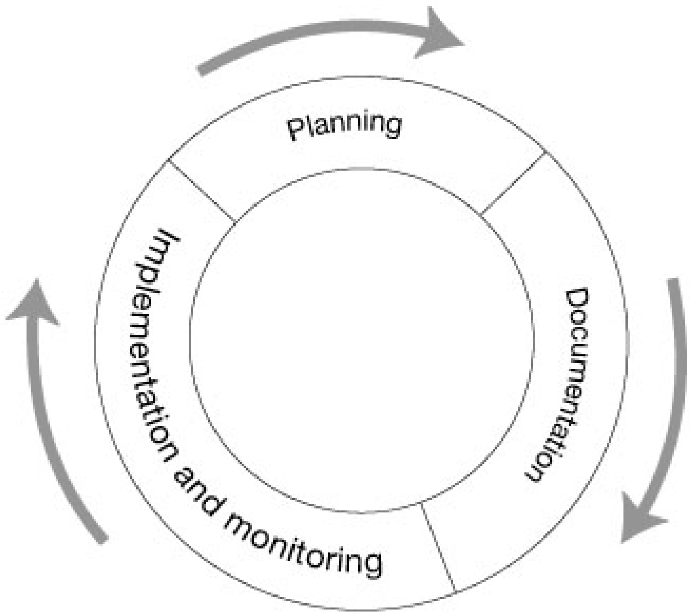
21. Strategic planning is the part of the strategic management process which is concerned with identifying the institution's long-term direction. It is a continuous, cyclical activity with three main phases:

- planning – researching and analysing strategy and plans, generating ideas and choices
- documentation – documenting the plans

[1] We have drawn particularly on the following studies:
Stacey, R 'Strategic Management and Organisational Dynamics' Pitman
Johnson, G and Scholes K 'Exploring Corporate Strategy' Prentice Hall
Warner, D and Palfreyman D 'Higher Education Management' Society for Research into Higher Education and The Open University
Smith, R J 'Strategic Management and Planning in the Public Sector' Longman

- implementation and monitoring – taking action to achieve the agreed goals, and monitoring progress or non-achievement in order to adapt the future strategy.

Figure 1 **The strategic planning process**



22. Some universities and colleges set out these phases in more detail in a timetable for their annual planning cycle. Such a disciplined process helps embed awareness of what planning is about, and to strengthen communication, expectations and consultation. However, a mechanistic approach can stifle creative thinking and provide an obstacle to flexibility and opportunism. Hence one key phase is the open generation of ideas and choices.

23. The process leads to a number of outputs, including:

- a long-term plan, referred to as either the strategic or corporate plan, which includes the overall strategy and sets out the long-term objectives and how these are to be achieved

- an operating plan or statement which distils the actions required in the year ahead;

- actions necessary to effect implementation

- monitoring reports and information which highlight progress or the lack of it.

Figure 1 **The strategic planning process**

24. In most institutions we visited in preparing this guidance, there was an evident commitment to strategic planning at the corporate level. Those responsible for planning recognise that it is quite likely that the institution's long-term objectives will not be achieved exactly as stated, because unforeseen changes in the internal and external environment are inevitable and may require the objectives to be revised. There is no virtue in sticking doggedly to a plan which has been overtaken by events. It is essential for all institutions to retain the flexibility to adjust as circumstances change, so that they can exploit unexpected opportunities and respond to unforeseen threats. Consequently, there needs to be frequent review of the overall direction to take account of, and adjust to, actual and potential changes to the organisation or its environment.

25. This inevitable fluidity does not mean there is no point in planning. Both governors and senior managers believe that the process remains valuable because it forces systematic analysis of the organisation and its environment, and because it generates a sense of 'stretch' by setting future direction and goals.

26. Some senior management teams have found it helpful to distinguish between:

- a set of long-term, high-level principles for the direction in which they intend the institution to develop and the characteristics they intend it to have, looking ten or more years ahead

- a set of objectives covering a shorter period — perhaps three to five years — for implementing those principles

- an operating plan for the actions to be taken in the short term to achieve the objectives.

27. This distinction recognises that, given the rate of change in higher education and its environment, there is an artificiality in determining objectives too far ahead. But that makes it more important to have a collectively agreed and explicit sense of the direction of travel. As circumstances change, the institution can then respond in a coherent way which consistently serves to further its chosen direction, rather than reacting in an ad hoc way to the opportunities and risks that arise.

The strategic planning cycle 1 – Planning

Leadership

28. Most vice-chancellors and principals of the institutions we visited recognised the significance of their own role in making the planning process work effectively. Other managers looked to the chief executive to shape the overall direction of the institution and to take both a substantive and a symbolic lead in significant events during the planning year. Governors expect the chief executive to involve them in agreeing the direction, in identifying and progressing major developments, and in accounting for success and failure.

29. There are four main tasks within the role of the chief executive as planner: envisioning, consulting, challenging and communicating.

30. The chief executive generally seeks to set a clear long-term vision, which provides the context within which others determine their own appropriate plans and actions. On appointment, chief executives often undertake strategic reviews to confirm their satisfaction with the overall direction or to initiate changes.

> In one university the appointment of a new vice-chancellor (VC) was a catalyst for a major strategic review involving staff throughout the institution. This succeeded in re-affirming the general direction, but also successfully changed the management ethos from top-down to consultative. The VC made it clear to the governing body that, while appreciating the organisation's past achievements, there was a need to re-establish the corporate strategy and ensure widespread stakeholder commitment. The commitment was necessary in order to involve managers in stretching and developing their own departments.
>
> The VC deliberately used the strategy consultation process to signal that the university was becoming a more consultative and democratic place. However, the consultation was structured so that contributions had to respect certain constraints – for example, that the institution would maintain its commitment to being a provider of teaching and research to certain standards. Thus, strategic planning was used to identify forward direction and encourage innovation, but also to change corporate culture.

31. Consultation by chief executives is an everyday component of management. But in the strategic planning cycle, chief executives engage to varying extents in wider consultation. The particular method and scale varies and according to the circumstances of the institution – for example, whether the strategy is focused on maintaining success or part of a recovery operation.

In one university the VC circulated a planning consultation document to every member of staff and invited individual and collective feedback. The purpose was to maximise bottom-up contributions to secure involvement and generate ideas. Managers were encouraged to reflect on their staffing and other resources, and consider how these could be better used to achieve overall corporate success.

When contributions were collated and analysed, the general conclusions were reported by the VC to open meetings. Staff were invited to question and affirm the conclusions. This was followed by further consultation. The process was designed as a one-off activity to trigger a more involving planning process, but would be too expensive to repeat annually.

An alternative consultative model involved a VC circulating a consultation document to senior managers and heads of schools seeking collective views from them, rather than from individuals as in the previous example. This approach assumed that the consultation would be replicated at departmental level in order to inform the collective responses.

In this case the process is repeated each year, as the strategy is continually re-assessed. There is a well-established system of devolved responsibility, and managers are expected to repeat the consultation with their staff. The contributions are subject to a challenge and filtering process, involving tests of financial viability and of strategic coherence before the overall corporate strategy is determined.

32. Chief executives adopt varying methods for challenging the strategic ambitions of their managers – for example, by providing guidance on what needs to be pursued in development or performance terms. Many institutions conduct an annual planning round of meetings to challenge the bottom-up submissions. The chief executive is often involved in such meetings.

33. Many chief executives see their role as including responsibility for communicating the strategy and its components internally in order to promote its assimilation. The chief executive also generally takes the lead in strategic consultation and communication with external interests, including government and funding agencies, industry and other sources of external income, the media, sector groups, and the international environment.

34. Two frequent obstacles to a chief executive fulfilling a strategic role in the institution’s management are: lack of in-depth management support (more likely in smaller institutions), and lack of adequate and timely management information.

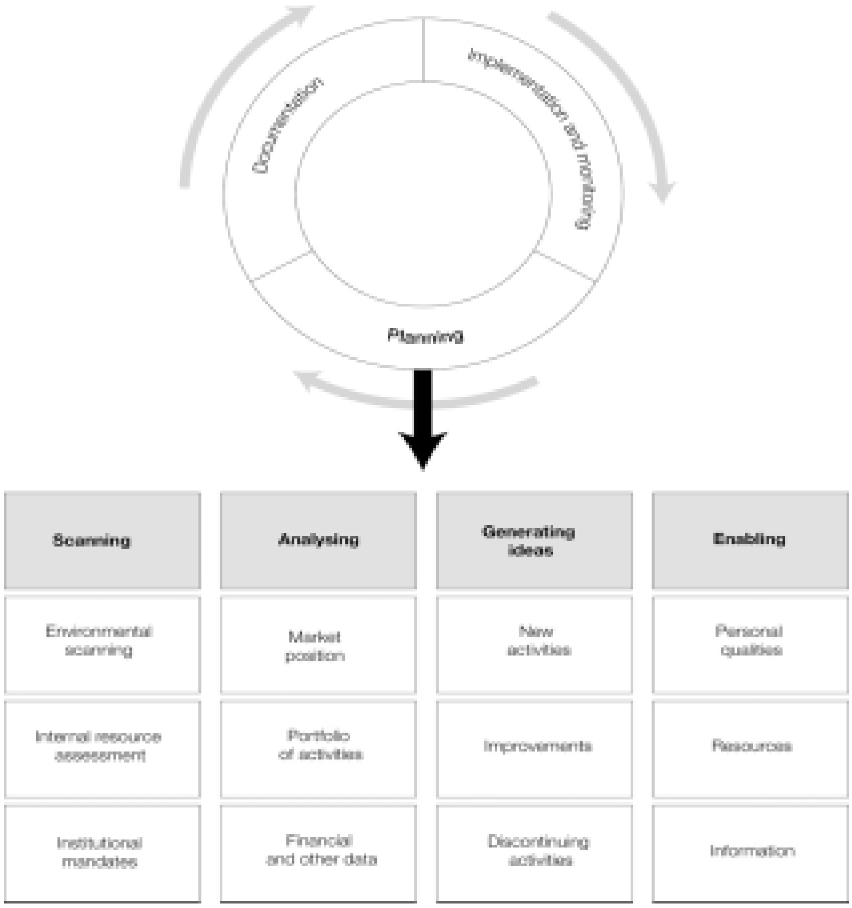
One VC believed that the capacity for immediate statistical and financial modelling was required for the institution to take advantage of strategic opportunities that arise. An example was given of an adjacent property becoming available which could provide a major increase in the university's accommodation.

The VC needed to know quickly what financing was available to procure and develop the site. It was also necessary for the VC to know whether the new area would provide opportunities for growth, or allow for rationalisation and strengthening of existing accommodation. By consulting with the senior management team, the information was readily available to confirm that the project appeared both affordable and viable, and that an option and financial appraisal was worth commissioning.

Planning

35. Planning is made up of four elements: 'scanning', 'analysing' and 'generating ideas' are stages to the process, while 'enabling' refers to the underlying requirements for the process to be effective. Each is considered below. Planning is normally driven from the senior management level, but contributions from staff and governors are also integral.

Figure 2 Planning



Scanning

36. Scanning is the process of identifying and observing characteristics and changes which will impact on the organisation. It involves reviewing the external environment, analysing internal strengths and weaknesses, and identifying institutional mandates.

37. The purpose of **environmental scanning** is to discern changes in the business environment which are either being deliberately planned or are emerging from general turbulence, and which will impact on the institution's development. This includes identifying changes arising from:

a. Political change, including changes of policy or of Government itself.

b. Economic change, which can be at the micro level (for example, in meeting specific regional skill demands) or at the macro level (for example, changes in the HE funding regime, or fluctuations in currency exchange rates which might be significant for institutions with extensive overseas activities).

c. Social developments (for example, assessments of the impact of demographic trends on target student markets).

d. Technological developments, which may influence the shape of the academic portfolio or teaching and learning methods.

e. Society's increasing expectation that organisations will adopt a responsible approach to their impact on the environment and on communities.

38. The purpose of **internal resource assessment** is to ensure that the resource needs of plans have been identified and can be met – in other words, that the plan is deliverable. This involves:

a. Where possible, creating an inventory of staff resources and skills, informed by a staffing database, which identifies the gaps to be filled in order to deliver the strategic aims.

b. A survey of the estate and other physical resources to assess capacity, particularly if growth needs to be accommodated.

c. An assessment of the capacity of academic and management information systems to cope with changes to, or growth in, activities.

d. A value for money strategy to identify scope for better use of resources, allowing resources to be switched according to changing corporate objectives.

e. A knowledge management strategy that can, among other things, provide the 'hard' and 'soft' information needed for modelling options.

39. The purpose of identifying **institutional mandates** is to re-affirm the purpose for which the university or college was set up and which ought to govern the strategy it adopts. The main mandates stem from the legislation governing higher education and from the particular constitutional instruments which established each university and college. One common mandate is that every HEI has charitable status. Some HEI plans set out their mandates in more detail than others. What is important is that key participants remind themselves of these core requirements.

Analysing

40. Institutions use several other analytical approaches to inform their planning. These include the analysis of market position, portfolio analysis of academic provision and of services and facilities, and comparative financial and quantitative data analysis.

41. Analysis of **market position** seeks to locate the institution against benchmark competitors, using publicly available data (such as Research Assessment Exercise grades) or specially generated data. It requires managers to identify HEIs with which the institution realistically compares now, and also to identify HEIs with which the institution aspires to be comparable (including overseas HEIs). Having identified the benchmark targets, the aspirations can be expressed in the institution's mission or vision statement.

42. Many institutions undertake a **portfolio analysis** of their teaching programmes, although with varying levels of formality. The objective is to identify the least and most successful areas of provision, and use that information to influence strategy. Portfolio analysis of teaching programmes can be undertaken by preparing a schedule of current courses and assessing each against agreed criteria. These could include employability of graduates, recruitment success, quality ratings, synergy with the research strategy, and cost recovery performance. The technique depends on the HEI's ability to make accurate estimates of the costs of different courses, including overhead costing. Courses can be ranked according to whether they were:

a. Alpha – consistently successful in academic and financial terms. These programmes normally continue as part of the core strategy of the institution.

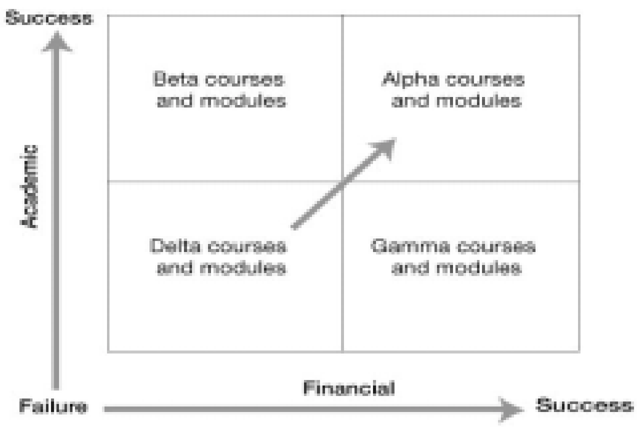
b. Beta – successful academically but not financially. This may result from poor recruitment or high costs. If so, the initial strategic response should be to tackle those problems. In the longer term, it is legitimate to accept the financial burden of these programmes if they secure some other benefit to the institution. For example, in one HEI a loss-making music degree is supported because it has spin-off benefits for related courses, and because it is seen as integral to the institution's traditional image and therefore valuable in marketing. Cross-subsidisation can cause friction within institutions, but this can be tempered by making it transparent and explaining the rationale.

c. Gamma – successful financially but not academically. The initial response would be to investigate the reasons for academic under-performance. If the reasons include under-investment, putting that right may jeopardise the programmes' current financial success. In the commercial sector, companies may well choose to provide a low quality product which sells well and is profitable. But in HE the assumption is that a strategy of accepting low quality in return for high levels of recruitment or profitability should be rejected by institutions.

d. Delta – consistently unsuccessful in academic and financial terms. The reasons for the lack of success of such programmes should be investigated, and, if appropriate, the courses terminated. This can give an opportunity to re-deploy the resources into new development.

43.	Portfolio analysis helps to ensure that the HEI’s teaching programmes are moving towards the alpha ranking, as shown in Figure 3. The technique can be adapted for other activities, such as research, commercial ventures, overseas activities, and the provision of services and facilities.

Figure 3 **Portfolio analysis of teaching provision**



44.	Portfolio analysis is one of several aspects of planning which identify institutional strengths and weaknesses in ways which may have implications for staff, including staff development and employment security. Senior management teams can prepare for this by making clear statements in advance about their commitment to dealing with such issues responsibly.

45.	Quantitative analysis and modelling of **financial and other data** is recognised as essential by all HEIs. The amount of data which are collated and analysed varies between institutions, and there is a risk of trying to analyse too much data. Most universities and colleges prefer to focus on datasets chosen to cover the institution’s key activities. Whatever the scale of the analysis, it is likely to be more valuable if it includes comparisons, both over time and with benchmark institutions and the HE sector as a whole.

Generating ideas

46. Generating ideas falls into three categories – undertaking new activities, making improvements, and discontinuing selected activities.

47. The identification of new activities follows from other stages of the planning process which identify opportunities. For example, environmental analysis should identify areas where demand for graduates is likely to change. Resource analysis should identify areas where resources are being under-utilised. Some private companies invite expert outsiders to help them carry out their environmental assessment. Members of governing bodies with specialist skills could also be involved in such a process. Consultation is one way in which institutions stimulate innovation; another is through bottom-up planning processes that encourage staff to make proposals for maintaining and developing their areas of operation.

48. In successful organisations, innovation is a managed rather than solely spontaneous process. Where ideas are generated and collected through a bottom-up planning process, there then needs to be a testing process to select those worth investing in, and to assess risks, both in terms of pursuing or missing these opportunities.

49. New strategic developments as identified in bottom-up plans are often subject to challenge and exploration as part of planning review meetings between senior managers and departmental heads. A managed process of innovation means that identification of new developments can be discussed at the same time as the resource implications; for example, this may involve calling on budgeted development reserves.

50. Internal analysis and comparison with other institutions and with best practice will help identify ways of improving systems, processes and outputs. It is often easier to identify redundant activities than to take the action necessary to discontinue them. Senior management teams need to consider what obstacles exist and how they will be managed.

Enabling

51. For planning to be effective, a range of enablers needs to be present. These are illustrated in Figure 4.

Figure 4 **Enabling**

Enabler	Examples
Attitudes	Positive attitudes to new ideas Incentives provided for people to make contributions An acceptance of calculated risk A willingness to learn from mistakes
Aptitudes	Decisiveness Understanding of the effect of change on individuals
Skills required for planning and implementing change	Quantitative analysis Management and financial accounting Understanding and development of information systems Marketing, whether provided internally or externally Flexible teaching and research personnel Planning and monitoring Counselling
Resources necessary to support change	Incentives to cut costs and generate income Time to prepare and consult Financing to invest in change Information systems and technology Estate and other physical assets A commitment to retraining and staff development
Information for managers	Data for analysis Project progress reports Monitoring reports on action plans Management accounts which identify the true cost of activities

52. The skills required are quantitative and modelling skills needed to make sense of data obtained during internal and external scanning, and the ability to interpret options when considering opportunities or risks that arise outside the normal planning cycle. Many universities and colleges employ a planning officer responsible for this type of work. In others the responsibility is shared among a number of individuals, such as the director of finance and registrar.

53. Senior managers need to be decisive, flexible and positive if they are to lead the planning process successfully. Many vice-chancellors and principals emphasised that, while they recognised the value in consulting others, at some point decisions have to be made and adhered to, particularly if opportunities are short-lived.

The strategic planning cycle – Documenting the plan

54. This section outlines the nature and purpose of the key documents that result from the planning process.

Figure 5 **Planning documentation**

Strategic planning timescales

55. In the private sector, strategic plans usually look forward five years. Most English HEIs follow this practice.

> One university has undertaken a strategic review and decided that its ambitious goals require a 10 year horizon. One of the aims is to develop research strengths so that a challenging improvement in research assessment scores is achieved by the Research Assessment Exercise after next.
>
> Such a target requires the restructuring of the staffing portfolio to maximise research effectiveness. This involves an assessment of current strengths and weaknesses, the gradual redeployment or retraining of staff, and the identification and recruitment of new staff in the face of competition from other institutions. The 10 year strategy period reflected the institution's assessment of how long this would take to complete. One consequence is that managers concluded that they need an interim plan between the annual operating statement and the 10 year strategy, and so have developed a three year operational plan to monitor progress.

The mission statement and vision statement

56. Almost all institutions include a mission statement in their strategic plans. Many are simply a restatement of institutional mandates. Others seek to reflect the institution’s uniqueness or market position. A number of institutions include in their plans a vision statement as well as a mission statement, but it can be hard to differentiate between the two.

57. The vision is designed to depict the long-term aim in a succinct way. It is an expression of leadership, and often provides an interpretative framework which can guide decision making. Some institutions amplify their mission and vision with a statement of strategic aims, policies or values.

The strategic plan

58. The strategic plan for any organisation normally includes the following elements:

a. An introduction to the organisation which explains why the plan has been produced at this time.

b. A mission statement which condenses the generic strategy into a few words.

c. A set of high-level aspirations and long-term aims.

d. A schedule of the main objectives over the duration of the plan, specifying where responsibility for implementation rests and the timescale for completion. This schedule leads to the annual operating statement, which is discussed below.

e. Summaries of integrated strategies for key activities and resources.

f. Financial and other data to demonstrate the feasibility of the plans.

g. An explanation of how the operating statement process and other review arrangements will enable the monitoring of progress.

59. Universities and colleges typically also include in their plans consideration of:

a. How academic quality is to be maintained and improved.

b. Research objectives, usually expressed as Research Assessment Exercise aspirations and targets for sponsored income.

c. How learning resources are to be developed.

d. The projected profile of student numbers and the implications for the portfolio of academic provision.

e. How the staffing plan will enable the recruitment and development of staff to meet operational needs.

f. A summary of the estates strategy, including the resource implications of capital developments.

g. How information systems are to be developed for academic and management purposes.

h. How the institution aims to meet the needs of the economy and society within regional, national and international contexts.

Operating statements

60. The operating statement sets out what the HEI intends to do in the short term to progress towards meeting the longer-term objectives of its strategic plan. We ask universities and colleges to provide a copy of their operating statement in July each year.

61. Operating statements normally include a list of tasks to be undertaken in the period concerned and specific targets to be achieved. At some institutions, the operating statement tasks and targets are embedded into the text of the strategic plan, but most are separate documents which can be attached to the strategic plan. Some institutions prepare their operating statements in an ‘action plan’ type format, to make subsequent monitoring easier.

62. Operating statements commonly cover the following features:

a. Targets and tasks are most effective if they are SMART (specific, measurable, achievable, relevant and timely). While this can be difficult to achieve in practice, particularly with high-level academic objectives, it is usually possible to ‘measure’ the achievement of most tasks. Some institutions prefer the term ‘critical success factors’. Benchmarks with comparable institutions can provide a basis for setting targets.

b. The concept of ‘milestones’ can be helpful in identifying the steps needed to achieve long-term objectives, stating interim targets towards the ultimate goal.

c. Responsibility for the achievement of a task is often allocated to an individual, even where the individual is reliant on other staff or units. The rationale is that the ‘responsible officer’ should ensure that the implementation of the task is co-ordinated and monitored. One benefit is that corporate tasks can become personal objectives for the individuals concerned.

d. It is reasonable to include a small number of aspirational targets, where they are realistically achievable in the medium term. The aspirational character of such targets needs to be made clear, so that monitoring and progress reporting is placed in context.

e. To maintain focus for a strategic plan with between 8 and 12 high-level objectives, an average of three or four operating tasks would be expected for each objective.

Preparing a corporate operating statement

63. The senior management team generally has the role of converting strategic objectives into activities, targets and tasks suitable for the corporate operating statement. In some cases an individual senior manager or a planning team is asked to prepare a first draft for the senior management team to consider.

64. Targets are more likely to be both challenging and realistic if there is an iterative, ‘bottom-up’ approach to agreeing how the responsibility for achieving the target (such as research income growth) is distributed among the academic and/or administrative units. That in turn requires some integration between the operating statements of the strategic plan and other more specific strategies and plans.

65. Corporate operating statements usually cover one year. Some HEIs include provisional or indicative tasks and targets for the second year of the planning period as well. This recognises that the year-end can sometimes be an artificial boundary. It also means that the preparation of the next operating statement should hold fewer surprises for senior and middle management. Such planning is particularly useful in IT and estates work, where larger projects often take place over the summer, shortly after plans and budgets are finalised. The detailed planning for such work is more efficient if provisional operating statements and the associated resources are in place, at least indicatively, well in advance.

One HEI prepared a detailed five-year operating statement to complement its five-year strategic plan. The principal benefit was the way the achievement of corporate objectives was shown to develop in a realistic and achievable way over the five-year period. This operating statement was supplemented by a more detailed annual statement.

After two years, the institution reviewed this approach and concluded that the five-year operating statement should be retained as a useful aid to the planning process.

66. Almost all universities and colleges publish their strategic plan, incorporating the operating statement, at least internally. Many also publish a separate summary of the strategic objectives and operating statement tasks and targets. Some annually publish the results of the action taken in response to the operating statement.

Integrated strategies

67. In addition to the strategic plan, most universities and colleges have a range of more specific and detailed strategies. Most fall into the following categories:

- academic-based – academic strategy, research strategy, lifelong learning strategy, learning and teaching strategy, widening participation strategy
- resource-based – financial strategy, estate strategy, IT/IS strategy, procurement strategy, value for money strategy, human resources strategy
- other – information strategy, marketing strategy, international strategy, environmental strategy, student support strategy.

68. These subsidiary strategies need explicitly to complement and help to implement the institution's strategic plan – that is, they need to be integrated with the strategic plan and ideally with each other. Integration has the following advantages:

a. It enables the institution to decide on the priorities for using limited resources.

b. Where the integration process is conducted openly, it helps secure collective acceptance of the method for distributing resources, particularly where funds are spent on major projects.

c. Opportunities can be more easily assessed for their compatibility with the strategic objectives, and the risk of the unexpected is reduced, such as academic decisions impacting adversely on IT network availability.

69. Subsidiary strategies tend to be drafted as stand-alone documents. However, using the same methodology as for the strategic plan – of identifying purpose, objectives and tasks – will make integration easier. The subsidiary strategies would then normally support the achievement of at least one objective in the strategic plan, or provide the conditions or infrastructure to do so (for example, the estate strategy).

70. As well as applying a similar format, some senior management teams apply a similar process in preparing subsidiary strategies as for the main strategy, including:

- wide consultation
- requiring each subsidiary strategy to consider its links to, and effects on, other relevant strategies
- applying similar monitoring and periodic review procedures

- requiring each subsidiary strategy to incorporate an operating statement and an assessment of resource implications.

One institution outlined the iterative way in which it produced its corporate and subsidiary plans. The Directorate discussed values, mission and strategic aims to draft a high level corporate plan. Feedback from staff informed the content and presentation of strategic aims. The corporate plan was then considered by relevant academic committees, and approved by a committee of the governing body. Drawing on the corporate plan, a working group formulated plans for each key activity (for example, widening participation, teaching and learning, and research). These plans identified what actions were expected to be delivered by schools and services. Plans were distributed to all managers for them to consult with staff and provide feedback. Subsidiary plans were drawn up by managers of each school and service, informed by internal consultation and shaped by the corporate and key activity plans. The Directorate met with each school and service manager to review and challenge their plans. This process also provided a feedback loop into the finalisation of key activity plans. School and service managers also made revisions to their plans in the light of Directorate guidance, for example, on financial projections.

71. The following table shows common weaknesses in the preparation of subsidiary strategies, particularly those described as ‘resource-based’.

Figure 6 **Potential weaknesses in subsidiary strategies**

Weakness of subsidiary strategies	**Risk**
Prepared in isolation	The strategy does not properly reflect and prioritise the needs of the institution
Prepared by one individual (typically the line manager) or a small group, without a senior manager as sponsor	The strategy reflects what an individual or group would like the strategy to be in an ideal world. Without a senior manager as sponsor the strategy is not properly considered by the senior management team
Prepared without consultation	If others are to accept the strategy and permit the release of resources to support it, they will want to participate in its development
Prepared without regard to resources	Resources to implement the strategy are not forthcoming, undermining its implementation.
A subsidiary strategy is prepared without regard to other subsidiary strategies	It is harder to assess which strategy should take priority for resources; and strategies are inconsistent with each other – for example, the IT/IS strategy should be linked with the academic strategy and the estates strategy
It is not operationalised	The tasks necessary to implement the strategy are not identified, timetabled and resourced
It is issued or passively accepted without any approval process	Stakeholders are misinformed as to institutional strategy. Implementation takes places in isolation by those responsible for the activity

72. Many universities and colleges have an informal integration process to avoid these weaknesses. This typically entails a process of iteration between the senior management team (or a subsidiary group) and the ‘sponsoring manager’ when a draft subsidiary strategy is being prepared. The finance team may be asked to comment on, contribute to, or sign-off a subsidiary strategy or its operating statement to ensure it has a budget.

One institution prepared a range of subsidiary strategies after consultation, and mostly after the strategic plan itself was agreed. The draft strategies were published internally within one document for consultation.

The strategies were considered by the senior management team both individually and collectively, looking at the impact of each strategy on the others, identifying the relative priority of each strategy, and thereby guiding the allocation of resources.

The institution expected wider consultation would result in greater acceptance of the changes required to implement both the strategic plan and the subsidiary strategies.

73. Some institutions require academic and administrative units to prepare plans, as a basis for working through the contribution which each unit is expected to make towards achieving the institution's strategic objectives.

At one institution, academic units were required to indicate in their plans, through a template, the implications of the unit's plan for other departments (specifically to include learning and teaching, marketing, learning resources, registry, IT/IS, human resources and estates). They were also asked to respond to key elements in other academic unit plans and in plans specific to relevant sites.

As an iterative process this allowed for fine-tuning of operating plans. It ensured that all other functions were aware of the changing demands being placed on them, and also helped improve relationships between academic and administrative units. In some universities and colleges, academic unit plans are formally approved by the senior management team. This helps ensure consistency with institution-wide objectives and means that the unit's resource requirements are understood and agreed at senior management level.

Finance and resource plans

74. The financial and resource aspects must be integrated with the strategic plan to secure practicality, flexibility and value for money. A financial strategy can assist institutions with integration process. We are working with institutions to produce draft guidance on the preparation of financial strategies in autumn 2000.

75. Annual budget and medium-term financial forecasts are usually prepared in the period March to July each year: a period that overlaps (at most institutions) with the finalisation of the strategic plan and operating statement. Staff involved in resource allocation are normally involved in other aspects of the strategic planning process, but the extent to which the two processes are integrated varies across the sector.

76. Some institutions build their budget up at the centre while others base the budget on academic or administrative unit budgets. Elements of the budget may be top-sliced or recharged. While some institutions use a formulaic approach to distribute funds, others employ a bidding approach. There is frequently an element of both methods in place and several iterations of budget and forecasts are usually required.

77. The integration of the financial and resource aspects of the strategic plan can be further promoted by:

a. Timetabling the various processes so that they follow a logical progression.

b. Using a group of employees that widely representative of the staff (and governors where appropriate) to manage or oversee all of the relevant processes.

c. Explicitly linking the preparation of the annual budget with that of the annual operating plan.

d. Ensuring that the medium-term financial forecasts reflect the resource requirements of the strategic plan and its subsidiary strategies.

e. Ensuring that finance and resource distribution processes are conducted openly, with publication and discussion of resource allocation models and bidding processes (for example, for capital equipment or for discretionary funds).

78. Ways of identifying additional resource requirements for any strategy, over and above the normal level of activity, include:

- involving a member of the finance, estates, IT or other resource teams on the group which prepares the strategy

- asking a member of the relevant resource teams to review the draft strategy for resource implications, and to discuss these with the strategy sponsor

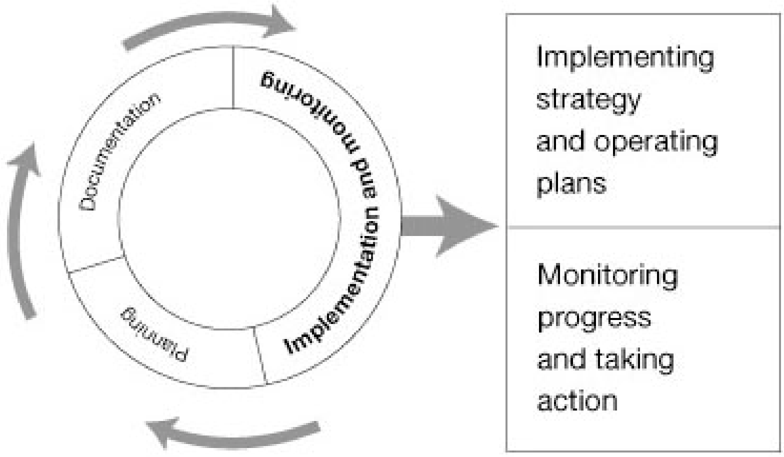
- requiring the strategy sponsor to assess the resource implications, across the full life of the plan

- asking the heads of relevant resource functions to ‘sign-off’ all strategies and plans.

The strategic planning cycle – Implementing and monitoring the plan

79. This section summarises the main means by which strategic and operating plans are implemented and monitored.

Figure 7 **Implementation and monitoring**



Implementation

Assigning responsibility

80. Effective monitoring entails holding individuals and teams to account for success and failure. They therefore need to have clearly assigned responsibilities, with targets and milestones that help to assess progress.

Objective setting

81. The most effective objectives are SMART (specific, measurable, achievable, realistic and timely). They should also be stretching, if they are to reflect the ambition of HEIs. Objectives should be traceable: from the strategic plan to the operating plan to the unit or team plan, and finally to the individual.

Organisational structure

82. The structure of universities and colleges should be aligned to their strategic objectives. Most HEIs undertake periodic reviews of their organisational structure, perhaps following the appointment of a new vice-chancellor or principal. Reorganisations can focus on the responsibilities of the senior management team, the realignment of service activities, or the number and size of academic units.

Management of change

83. Managing change on an organisational scale requires a shared vision, a strategy, concrete plans, appropriate allocation of resources, and effective monitoring. For all of these structural elements to work, attention has to be given to the people issues: communication, consultation, counselling, coaching, developing and rewarding.

Using consultants as agents of change

84. Many institutions use consultants as agents of change. They can bring objectivity and extra hands or new skills to a short-term task. It is helpful if the consultancy can be used as an opportunity to develop the 'in-house consultancy' skills of the HEI's own staff.

Project management

85. Some of the key objectives in strategic plans may best be pursued through a project team – for example, where a major capital development is involved, or where there is a large-scale task that requires a variety of skills or that crosses organisational boundaries. Training in project management skills is desirable for senior managers generally. In some cases, members of governing bodies have project roles, particularly where their own professional background is relevant, although issues of professional liability need to be carefully considered.

Taking risks and tolerating failure

86. The taking of considered and managed risks, and toleration of failure, are necessary consequences of an innovative strategy. We are working with representatives of universities and colleges to produce guidance on risk management in summer 2000.

Monitoring

87. Effective monitoring depends on requesting and receiving the right information. That includes data and narrative which confirm progress as planned, or variance reports that highlight under- or over-achievement. The frequency and regularity of the information should be determined in advance, for example, monthly progress reports and provision for exception reports as necessary. Those doing the monitoring need to assess how reliable the information is. One way of obtaining such assurance is to ask for audit confirmation of the reliability of key data.

88. The strategic plan and its subsidiary strategies and plans all need to be monitored, with a focus on identifying key areas of risk – particularly for projects (such as new buildings or IT software installations) and non-standard operations (such as subsidiary companies, joint ventures or overseas activities).

Responsibility for monitoring

89. Senior management teams are generally responsible for monitoring progress in the implementation of the strategic plan, at least through a regular review of the operating statement and summary management accounts. They also need to establish a reporting mechanism which ensures that they are kept informed of progress in implementing subsidiary strategies and plans. In some cases, the senior management team can undertake the monitoring itself. In others, the sponsoring manager or a line manager may undertake the monitoring and report back to the senior management team.

90. Monitoring takes place at several levels. The tasks undertaken vary with the type of institutional structure – some HEIs make a sharper distinction between the roles of governors and managers, while in others several senior managers are also governors.

Figure 8 **Monitoring at various levels**

Level of monitoring	**Nature of monitoring**	**Person or group**	**Timing**
Overview	• To maintain an ongoing awareness of progress on issues of timing, general significance or financial impact • To receive assurance that objectives and tasks are being implemented	• Governing body – perhaps through a planning or general purposes committee • Vice-chancellor/principal • Senior management team (SMT) or subsidiary group • Internal groups with a specific or general responsibility • Project sponsor	At least annually
Management (including specific projects)	To ensure that tasks are being implemented in accordance with the plan	• Vice-chancellor/principal • Senior managers • SMT or subsidiary group • Other internal groups • Line managers • Planning officer • Project sponsor	Normally monthly
Financial	Detailed review of a plan or project budget at the centre	• Central finance staff • Planning officer (usually with finance support)	Monthly
Budget holder	Detailed or general review of a plan or project budget at line management level	• Budget holder/manager or other responsible officer • Project manager	Monthly
Resources	• Review of resource use • Recruitment	• Line managers, for example, estates, library, IT	Quarterly

		• SMT	
Academic quality	Detailed or general review of quality assurance arrangements	• Senate/academic board • Academic unit boards	At least annually

91. The higher-level forms of monitoring rely on the lower levels. Each level has its own information requirements, which usually differ significantly from other monitoring levels, and which need to be defined if gaps and overlaps are to be avoided.

92. Senior management teams should periodically review their institution's monitoring system. Most institutions have gaps in coverage or unnecessary duplication. It may be appropriate to duplicate some aspects of monitoring as a protective measure (for example, general review of budget holder accounts by both the budget holder's line manager and the central finance team).

93. Unintended duplication occurs most frequently at the higher level, where monitoring can be unnecessarily detailed but at the same time insufficiently strategic. Sometimes this happens because management chooses to monitor plans with, rather than separately from, the governing body or one of its committees. The advantage of separation is that it allows the governing body (or its committee) to concentrate on its overview role in the knowledge that management is undertaking a more detailed review of implementation.

94. The overview role needs summary information which highlights significant issues (such as those with an actual or potential impact on the achievement of a strategic objective) and which focuses on higher-risk activity. This can be supported by more detailed information (perhaps as an annex) which has already been reviewed at a lower level.

95. There should be an element of supportive challenge in monitoring. Steering groups, line managers, senior managers, outside bodies and governors should require adequate information to monitor achievements against plans, and should question those providing information to ensure it is valid and consistent.

96. The senior management team can obtain its monitoring information in various ways:

a. In an operating statement directly from the person responsible for implementing a task.

b. Through verbal or written reports from the senior manager overseeing implementation of a task. These can be regular or exception reports.

c. Through verbal or written reports from the institution's planning team.

d. Through ad hoc meetings between senior managers and staff.

One HEI had a system of strongly devolved planning and budgeting. The primary monitoring method was for the central finance function to review the monthly management accounts. The academic departments were otherwise left to implement their plans within the confines of the resource allocation model. Departments were required to submit an annual business plan with five-year financial forecasts.

This model was reviewed annually to promote corporate objectives, particularly those attached to academic autonomy, external income generation, and the needs of the estate. ‘Loss-making’ departments were permitted to continue operating, providing the medium-to-long-term forecasts showed an achievable return to surplus within a three-to five-year period.

An annual planning meeting reviewed current issues and provided additional assurance on long-term progress. Departments in financial difficulty were subject to stringent central monthly monitoring and the introduction of centrally imposed controls on an ‘as required’ basis.

97. Some institutions are developing performance indicators as a supplementary monitoring tool, particularly for governing bodies in their overview role.

One university has been providing its governing body with an annual performance review report since 1995. This includes a range of performance indicators on student data, research, financial and resource use information, as well as information on higher-risk areas such as overseas activity.

This annual report now provides trend data to inform future strategy. In particular, it allows opportunities and weaknesses to be identified.

98. In some cases it may be appropriate to commission independent reviews of the monitoring system for, or the implementation of, major strategies or projects. Many institutions conduct formal evaluations or post-implementation reviews of major projects to highlight lessons learned, and to bring forward new ideas.

99. Senior management teams should periodically review the operating statement as a whole in order to get a complete picture of progress in implementing the strategic plan. Such a report is typically prepared in list or action plan format by a planning officer or a senior manager, usually annually. If conducted during the period January to April, the results can inform the next planning and budget cycle.

At one institution, the central planning function prepared a formal review of progress against the operating statement three times a year. The central preparation of the report added to its credibility and value, particularly for the chief executive.

The third review each year was prepared in time to inform the preparation of the next year’s operating statement. It was presented to the governing body in July. The final progress report was also published and sent to all staff.

100. Financial monitoring should be seen as part of the system of strategic plan monitoring and should take account of the relative importance of individual budgets to the achievement of strategic objectives or operating statement tasks. The staff undertaking financial monitoring need to be aware not only of the financial position, but also what is supposed to be achieved with the resources provided. For example, a budget that appears to be 'on target' could mask a failure to achieve progress in a task. This may require closer working between finance and planning or departmental staff to ensure that each other's monitoring is complementary.

101. Where a monitoring report highlights an issue for attention, the report ought to propose a course of action (or offer alternatives) to deal with it, particularly in the case of financial reports.

102. Monitoring reports rarely mention risk or changes in the level of risk attached to an activity or project. Universities and colleges generally have an intuitive view of most risks, and recognise the need to focus on high-risk activities. There is scope to develop monitoring of non-standard activities (especially overseas), particularly in financial terms.

Appendix A

Project staff and members of the Strategic Planning Steering Group

Project staff

Ian Gross and Paul Greaves of the HEFCE Audit Service drafted this guide under the direction of the Strategic Planning Steering Group. Rebecca Taylor, an independent higher education consultant, assisted with the drafting.

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Appendix B
Institutions participating in the project

We are grateful for the help of the following institutions, which helped with case study material:

Bath Spa University College

University of Bournemouth

Brunel University

Cheltenham and Gloucester College of Higher Education

University of Derby

University of Greenwich

Imperial College

Manchester Metropolitan University

Middlesex University

University of Nottingham

St Martin’s College

University of Surrey

Surrey Institute of Art and Design, University College

Appendix C
Glossary

Activities

These are the activities or processes which are undertaken to fulfil the aim. Activities result in outputs.

Inputs

These are the resources used to achieve an aim. Examples of inputs are staff time, facilities and equipment.

Operating statement

Also known as the operating plan. The operating statement describes the action to be taken to implement the strategic plan in the foreseeable future, usually taken as one or two years. It is an output of the strategic planning process.

Outcomes

These concern the benefits (or otherwise) arising from outputs, and have qualitative and quantitative aspects. In evaluating performance against aims, output and outcome measures are complementary.

Outputs

These are products of activities and are normally tangible (for example, the number of graduating students).

Planning committee

Also known as the Strategic Planning Committee, the Planning and Resources Committee or the Finance and General Purposes Committee. The extent of the planning committee's participation in the planning process depends on the history and nature of the institution. This committee will also monitor performance against the plan. Depending on the scheme of delegation, it may also be responsible for, or may advise the governing body on, the allocation of funds.

Strategic management

Strategic management includes, but is not the same as, strategic planning. Strategic management involves the management of activities and operations in an integrated way to deliver the strategy.

Strategic plan

Also known as the corporate plan. The strategic plan provides an overarching framework for the institution’s strategies. It is an output of the strategic planning process.

Strategic planning

Strategic planning is that part of the strategic management process concerned with identifying the long-term direction of an HEI or other organisation, generating ideas and choices, taking the necessary steps to achieve the stated goals, and monitoring progress or non-achievement in order to adapt the future strategy.

Strategy

An organisation’s strategy is the approach it takes to survive and succeed. It will usually be explicit, and in the case of a university or college it will usually be expressed in a way that seeks to differentiate itself to potential students and other customers.

Subsidiary strategies

The group of individual strategies which support the strategic plan, such as the academic strategy or the estate strategy.

Appendix D

Review questions

The following questions are designed to assist universities and colleges in reviewing the effectiveness of their planning process.

Questions	Comments and notes
1. How does the chief executive provide leadership throughout the planning process?	
2. Does the institution have a clear and unique strategy?	
3. How do the mission statement and plan reflect the distinctive nature of the institution?	
4. How is the external environment monitored?	
5. How does the institution monitor its position in relation to other institutions?	
6. How are upward contributions to planning and innovation stimulated?	
7. How is the institution’s portfolio of activities analysed and monitored?	
8. How does the institution ensure that it has the necessary skills for planning and monitoring?	
9. Has the institution considered publishing its operating statement and the subsequent annual progress report to its stakeholders, or at least internally?	
10. How does the institution ensure that corporate tasks and targets which affect academic or administrative units are assessed to ensure they are agreed and capable of being delivered by those units?	

11. Does the institution ensure that all strategies and plans are subject to a process which converts aims and objectives into required actions? If **yes**, does this require the use of operating statements? And: Are the resource requirements determined as part of this process?	
12. Are the operating statements (or equivalent) of subsidiary strategies and other plans centrally co-ordinated and approved?	
13. What does the institution do to ensure that its subsidiary strategies and plans complement and support the strategic plan? Does this include integration of the finance and resource aspects of the subsidiary strategies with those of the strategic plan?	
14. Does management require academic and administrative unit plans to demonstrate how the strategic plan and any relevant subsidiary strategies will be implemented within the unit?	
15. Are subsidiary strategies prepared in an objectives/tasks format, with the objectives of the subsidiary strategy being directly derived from the higher-level objectives laid down in the strategic plan?	
16. Has each subsidiary strategy and plan been resource-tested before approval, to ensure that any additional resources required for its implementation are identified?	
17. What steps are taken to ensure subsidiary strategies complement each other where appropriate?	
18. How does the institution ensure that all major new programmes and projects are in accordance with the strategic plan?	

19. How is the management structure evaluated and designed so as to align operational responsibilities with strategic objectives?	
20. How are project responsibilities assigned and project skills developed, especially at senior management level?	
21. Is monitoring of operating statements considered an important management function?	
22. Is monitoring of operating statements undertaken regularly at governing body and/or senior management level?	
23. How does monitoring feed back into the strategic planning process?	
24. Is monitoring undertaken at all levels of management in respect of all formal strategies and plans?	
25. How does management assure the governing body that action is being taken in the short to medium term to achieve the institution's strategic objectives?	
26. How does the institution seek to ensure that the tasks and targets shown in its operating statement are specific, measurable, achievable, relevant and timely (SMART)?	
27. Do operating statements allocate the achievement of objectives, tasks and targets to individuals? If **yes**, are these targets and tasks used as personal objectives for appraisal purposes?	
28. Are realistic timetables (and interim milestones) established for the achievement of tasks or targets?	

29. Have the monitoring information needs at governing body, committee and senior management level been defined in each strategy area?	
30. Has the mix of monitoring methods been reviewed?	
31. Does the monitoring process encompass a degree of supportive challenge and not just passive acceptance of the information received?	
32. Are periodic reports provided to the governing body and senior management on the progress in achieving all objectives and tasks/targets described in the corporate operating statement? If **yes**, does this principle apply to the operating statements for other strategies and plans? And: Has the timing and frequency of such reports been considered?	
33. How does the institution ensure that it treats financial monitoring and the monitoring of strategic objectives as complementary activities?	
34. Do all monitoring reports (including financial reports) comment on what action is being taken to correct issues causing significant variances in progressing an activity, including its timetable and cost?	
35. Has the institution determined appropriate performance indicators for its key strategic objectives?	

Appendix E

Role of the governing body in strategic planning

What is the governors' responsibility in strategic planning?

1. The responsibility of governors for the strategic plan depends on the institution's governing instrument. In many universities and colleges, the governing body is formally responsible for the educational character and mission of the institution, and sometimes also for the efficient and effective use of resources. In chartered universities and colleges, the governing instruments may be less explicit, but generally state that the governing body has responsibility for overseeing all of the institution's affairs. Whatever the constitutional arrangements or type of institution, recognised good practice is for the governing body to take responsibility for the institution's mission and strategic direction.

What do governing bodies do in practice?

2. All governing bodies recognise that they should, as a minimum, consider, approve and take ownership of the institution's strategic plan and see (and perhaps approve) the operating statement which seeks to implement the plan. There is a range of practice in higher education:

   a. Some universities and colleges delegate much of the work to a planning and resources committee comprising a small number of lay governors, senior managers and the head of the institution (who usually chairs the committee). The governing body then tends to ratify the strategic plan recommended by that committee.

   b. At some institutions, management prepares the draft strategic plan and discusses it with governors during one or more governing body or committee meetings before seeking approval. In some cases, the governing body has an 'away-day' type meeting which specifically concentrates on strategic issues.

   c. Some institutions have established informal, limited-life working groups comprising senior managers and active governors to prepare the strategic plan.

   d. Most governing bodies receive an annual progress report for monitoring purposes.

   e. A small number of governing bodies do not participate in the process at all and simply ratify the final draft of the strategic plan prepared by management.

3. Away-days can be particularly valuable to both inform, and seek the views of governors on the strategic plan and key subsidiary strategies.

4. In some institutions, governors are closely involved in the planning process through participation in a planning committee reporting directly to the governing body. Where such committees exist, there is strong support for independent and experienced governors to be involved in this way, and the governing body draws significant assurance from its participation. The most significant benefit is the additional time available for discussing strategic issues compared to the time available in governing body meetings.

5. Where governors do not participate in a planning committee, they frequently take a planning or monitoring role within their regular governing body or committee meetings, although the time available for these activities is limited. Universities and colleges wishing to increase their governing body's participation in the planning process could consider the involvement of governors in planning committees. Institutions which do not already have a planning committee could consider introducing one.

Resource prioritisation

6. Many governing instruments do not mention resource prioritisation, although there is often an actual or implied responsibility for the efficient and effective use of resources. Even where this is not implied, the Financial Memorandum between the HEI and the HEFCE requires this to be a responsibility of the governing body.

7. The involvement by governing bodies in resource prioritisation varies considerably throughout the HE sector, reflecting its position on the boundary between governance and executive management. The part played by governors will therefore depends on the nature, history and culture of an institution. There is a range of practice:

a. Planning committees frequently have a resources remit. This may include being consulted on, reviewing or agreeing with management the framework of principles for allocating financial resources. The role may or may not extend to determining the annual allocation of financial resources.

b. In some institutions the approach to resource prioritisation is wholly devolved to management.

c. Governors do not usually consider the prioritisation of other resources, such as space and staff, mainly because these areas are assumed to be largely covered through budget allocation.

d. Participation in resource prioritisation may be restricted to academic resources only, with no advice sought on the administrative functions.

8. Whatever role the governing body adopts in resource prioritisation, it should be a conscious choice. The remit of any planning and resources committee also needs to be balanced with the finance committee to ensure there is no conflict in their duties. These issues could be considered as part of a review of the effectiveness of the governing body.

Monitoring

9. Governing bodies have an important role in monitoring progress in implementing the strategic plan because they need to receive assurance that the strategic direction they have approved is being satisfactorily implemented. The nature of the information required, and the amount of work involved, varies according to the balance adopted between governors and senior managers in the 'overview' role.

10. Many governing bodies adopt a relatively passive overview role while delegating a more active monitoring role to small groups of governors acting through committees. In these cases, the governing body usually obtains its overview assurance through the various committee minutes, reports on individually significant issues, and an annual progress report. These methods risk duplicating effort, but are usually considered necessary to allow all governors to contribute to relevant debates. The use of committees does not change the governing body's overview responsibility, so it is important that all understand the balance between the work of a committee and that of the governing body.

11. The most common approach to monitoring is for governors to receive reports on individually significant issues. The advantage of the 'reports' monitoring method is that it enables governors to be advised in depth on an issue. Its disadvantages are that the information provided to governors can be:

a. Unnecessary, because they are dealing with issues that are not of sufficient importance.

b. Inappropriate (either too much, too little, or containing unnecessary duplication).

c. Of insufficient quality to allow governors to make informed decisions.

d. Poor at providing assurance about progress in achieving strategic objectives. For example, a proposal to construct a building may describe how it complements the estate strategy, but fail to demonstrate its necessity, to disclose all other options available, or to include a financial appraisal demonstrating its long-term affordability.

12. Where this monitoring approach is weak, this is generally due to a lack of definition or understanding of what is required.

13. Most governing bodies receive an annual (sometimes more frequent) report on all of the actions in the operating statement. This is essential as it provides a complete snapshot of progress and allows the governing body to assess the effectiveness of management. It is useful to combine this report with the governing body's review of institutional performance, where this takes place.

14. The governing body will need to decide what monitoring information it requires, and when this should be provided. This task could be undertaken whenever the governing body conducts a review of its own effectiveness.

Subsidiary strategies

15. Most governing bodies actively participate in the preparation and monitoring of the strategic plan and significant aspects of other plans (such as major building works or the financial strategy), but not the subsidiary strategies and plans. The level of involvement at committee level varies between different subsidiary strategies. The decision for a committee on whether to monitor the implementation of a strategy should be informed by an awareness of how management performs the overview role, and what assurance can be taken from that given the importance of the strategy concerned.

16. A planning committee or a committee with a relevant remit (such as estates committee, senate or academic board) would then do one of the following:

a. Participate in the development of and approve the subsidiary strategy, and monitor the implementation of the strategy at appropriate intervals.

b. Comment on drafts and ratify the subsidiary strategy prepared by management to complement the strategic plan, in which case the committee needs to receive periodic monitoring information to be aware of the progress in implementation.

c. Receive the subsidiary strategy prepared by management for information, and be advised of individual aspects of its implementation on an ad hoc basis and at least annually.

Key points

All governing bodies should approve the institution's mission and strategic plan.

Each governing body should participate in the strategic planning process. Reviews of a draft strategic plan, away-days, and governor membership of planning committees are recognised ways to do this.

Governors should see the annual operating statement and monitor its implementation.

Each governing body should have at least an understanding of the resource prioritisation process to obtain assurance that resources are being directed towards achieving strategic objectives.

The governing body should define its own monitoring information needs (perhaps as part of a governing body effectiveness review).